



HEALTH AFFAIRS

THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

APR 14 2003

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (M&RA)
ASSISTANT SECRETARY OF THE NAVY (M&RA)
ASSISTANT SECRETARY OF THE AIR FORCE (M&RA)

SUBJECT: TRICARE Transition Management

This memorandum provides the joint plan for managing the TRICARE transition from 2003-2004, as we evaluate, award, and introduce our three regional TRICARE contracts and establish three TRICARE Regional Offices (TRO), replacing the current set of seven TRICARE contracts and eleven TRICARE Lead Agents. All activities, from the Integrated Product Team composition to the Senior Military Medical Advisory Council oversight will have fully integrated, joint service membership, providing for comprehensive coordination and communication throughout this process.

TRICARE Transition Management. I have named Ms. Nancy Adams, my Senior Advisor for management of the next generation of TRICARE contracts (T-Nex) as the overall Transition Team Chief, overseeing four major activities related to the transition: TRICARE Regional Governance, Financial Management and Business Planning, Contract Transition, and Local Contract Support functions. Management oversight will be accomplished through biweekly reviews with the senior leaders of the Services and the TRICARE Management Activity.

In April 2003, the Transition Team Chief will provide a transition plan to me that outlines the major milestones for each of these significant activities, the risk management/risk mitigation strategy, and our communications plan at each step of the transition.

On a monthly basis, I will join with the Surgeons General and the senior civilian leadership in my office to review our progress and ensure any obstacles or coordination issues are promptly identified and resolved. A schematic outline of these activities and management oversight is provided at Attachment 1.

TRICARE Lead Agents and TRICARE Regional Offices. Since their establishment in 1994, Lead Agents and Lead Agent Offices have been integral to successfully implementing the TRICARE program, overseeing our TRICARE regional contractors, and contributing to TRICARE's outstanding reputation. As we enter the critical contract transition period, we must sustain a quality TRICARE program with our current contractors, manage the incoming contractors following award and prior to the health care delivery start date, execute a seamless transition, close out old TRICARE contracts, and continuously operate an active communications program with our stakeholders – to include our beneficiaries, military commanders, constituent organizations, and the Congress. During this period, we must also transition the roles of the Lead Agents to a local, multi-service market management role.

The existing Lead Agent Offices are vital for the successful transition we have outlined. The current TRICARE contracts include significant patient care, financial, and legal requirements to which we must adhere until the current contracts are closed. The first contract will tentatively conclude in Region 11 on March 31, 2004; the last current contract to conclude will be Region 6 on October 31, 2004. As identified in my memorandum on TRICARE

Governance dated April 14, 2003, the current Lead Agent staffing levels must be maintained at a level that allows full oversight of the current contracts throughout the transition period.

Upon award of the new TRICARE contracts, some staffing positions will begin to migrate to the newly established TRICARE Regional Offices -- TRICARE North in Washington, DC, TRICARE South in San Antonio, Texas, and TRICARE West in San Diego, CA. Following the start of health care delivery under the new TRICARE contracts, a small group of experienced and dedicated Lead Agent Office staff must remain to work with the current contractors until we fully close the contracts.

Following the transition of regional management function to the TRICARE Regional Offices, seven of the Lead Agents will be designated senior market managers and the Services must plan for a staff to support their responsibilities for developing the business plan for their respective markets.

A joint Regional Offices Manpower, Staffing, and Funding Workgroup has begun work on developing the manpower plan for the TROs and the overseas area offices. We are estimating approximately 200 military and civilian positions, in total, for those offices. Considering the current staffing of the Lead Agent Offices, this will result in a transition of approximately 50 percent of the staff to TROs to accommodate the transfer of regional health care management functions. The remainder of the current Lead Agent Office staff should be assigned in support of market management activities or returned to the Services.

I am pleased to have this opportunity to work with you to accomplish the changes that will positively transform our Military Health System. Thank you for your continued support of these vital efforts.


William Winkenwerder, Jr., MD

Attachment:
As stated

cc:
USD (P&R)
USD(P&R)
USD(AT&L)
ASD(RA)
PDUSD(P&R)
Service Vice Chiefs of Staff
Director Defense Procurement
Service Surgeons General

T-Nex Transition Structure Chart

